



CASE STUDY

The next evolution: half of the company's energy and focus will continue to provide private label collections for catalogues and department stores; the other half will concentrate on the launch of the Stella Carakasi signature label for fall 2012.

TWO STAR DOG® EVOLVES FLAWLESSLY WITH ITS NEW STELLA CARAKASI COLLECTION

UPS Capital® financing and insurance help support new direction

When Darwin pronounced his theory of evolution, or the survival of the fittest, he definitely wasn't thinking about the clothing design industry. But for clothing company Two Star Dog (TSD), the theory certainly applies. According to Stella Carakasi, the leading designer for the company, "If you aren't flexible and open to change in this business, you'll not survive a day, much less 20 years." And so for TSD, which this year is celebrating its 20th anniversary, change has been an integral part of its signature brand.

TSD was launched in 1992 as a men's clothing line, but quickly changed when founders Allan and Steven Boutrous asked Carakasi to join their company. At the time, she was on the verge of launching her own company and clothing line. Instead the three joined forces and together pioneered an eco-friendly clothing line.

"TSD was the first American company to develop and market a complete sportswear line made from hemp," says Steven Boutrous, president of TSD. "Eco-friendly fabrics and clothing were really big in the early '90s," recalls Boutrous. "We became a very big fish in a small pond. Our line gained a great deal of attention, but by the late '90s, the market changed. The customer was looking for more novelty, updated silhouettes and luxury fabrics. Once again, TSD evolved." *(continued)*



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ACHIEVING A POINT OF SEPARATION

TSD started focusing on contemporary looks for specialty boutiques and private label styling for department stores and catalogues. While this shift in strategy was successful, TSD found its customers wanting them to push the envelope further and set themselves apart. As a result, TSD has now reached a point in its evolution where it needs to split. Half of the company's energy and focus will continue to provide private label collections for catalogues and department stores; the other half will concentrate on the launch of the Stella Carakasi signature label for fall 2012.

"It will be a very architectural-inspired collection," says Carakasi. "It will incorporate the casual California lifestyle look with novelty fabrics like boiled wool, silk, alpaca and cotton metal sateen. Textile manipulations and surprise details give true meaning to the uniqueness of this new direction."

This refined collection includes 80 to 90 pieces per season, and the supply chain that will be required to support the line is extraordinarily complex. At a minimum, even the design and manufacturing of one blouse requires numerous suppliers — one for fabric, one for buttons and one for thread. Further, before production even starts, there is extensive collaboration between the designer, the pattern makers, the various suppliers of the blouse's components, and the manufacturers to ensure that every sample blouse, skirt, dress, top, sweater, pant and accessory is perfect for sales representatives to present to buyers.

GREAT PARTNERSHIPS SUPPORT GROWTH

"It takes either a genius or a madman to be in this business, but it also takes great partnerships," says Boutrous, "and that's where UPS comes in. It's the one mainstay in our 20-year history. We have always used UPS for our shipping and transportation needs, and when our account executive told us about the UPS Capital Cargo Finance® program, we found it to be a great fit for us. The financing from UPS Capital has really been a key part of our growth, particularly with larger retailers.

Plus it provides the added liquidity needed since most of our suppliers require a 50 percent deposit."

With UPS Capital Cargo Finance, TSD is able to obtain working capital loans by leveraging the value of its in-transit inventory. Most traditional lenders will not lend against in-transit inventory because they do not have effective control or visibility of the goods. But because the inventory is managed by UPS, UPS Capital is able to extend credit to TSD earlier in the supply chain. UPS's extensive tracking technologies enable UPS Capital to know where the goods are at any given time. This accelerated cash flow enables TSD to meet its suppliers' payment requirements.

"The economy has not been kind to small businesses," explains Boutrous. "Many banks have either closed or reduced lines of credit. UPS Capital offered a finance program that gives us the ability to ship our finished goods from Asia and borrow against the shipment. This greatly improves our cash flow, which is also bolstered by the UPS Capital C.O.D. Secure® program, which advances funds on our C.O.D. (collect on delivery) shipments and secures against bad checks."

"Additionally, the benefits of UPS Capital Insurance Agency's Cargo Insurance were an unexpected surprise. There is nothing like it," Boutrous remarked. "It's going to save us thousands of dollars. Compared to the competition, it is a much better and broader policy. When we ship goods that are presold, this policy covers the actual retail value of the goods and helps protect our profits. This is huge for us and a benefit our prior policy did not possess."

"Needless to say, greater financial security has been a key in supporting the next evolutionary cycle of our business," notes Carakasi. "We anticipate excellent growth in 2012 from our new collection. We are designing from our hearts with our customers always on our minds. We are now coming into our own thanks to an incredible team of dedicated employees, loyal customers, the richness of today's wonderful fabrics and great partnerships."